BEFORE THE
ILLINOIS COMMERCE COMMISSION

North Shore Gas Company and	)	
The Peoples Gas Light	)	
And Coke Company	)	Docket No. 09-0166
	)	Docket No. 09-0167
Proposed General Increase	)	
In Rates for Gas Service	)	

REVISED REBUTTAL TESTIMONY OF
JAMES L. CRIST

President, Lumen Group

ON BEHALF OF THE RETAIL GAS SUPPLIERS

COMPRISED OF

DOMINION RETAIL, INC.
INTERSTATE GAS SUPPLY OF ILLINOIS, INC.
NICOR ADVANCED ENERGY, L.L.C.

August 4, 2009 **RGS Ex. 2.0 Rev**

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INTRODUCTION

Q. State your name and tell us on whose behalf you are testifying?

A. I am James L. Crist, President of Lumen Group, Inc. a consulting firm focused on regulatory and market issues. I am presenting rebuttal testimony on behalf of Dominion Retail, Inc., Interstate Gas Supply of Illinois, Inc., and Nicor Advanced Energy, L.L.C., collectively the "Retail Gas Suppliers" or "RGS."[1]

Q. Are you the same James L. Crist who submitted prefiled direct testimony on behalf of the Retail Gas Suppliers in this consolidated docket?

A. Yes.

Q. What is the purpose of your rebuttal testimony in this proceeding?

A. I will respond to some issues raised in the rebuttal testimony of the Companies' witnesses Dobson, Grace, and McKendry and will provide additional support for the positions of the Retail Gas Suppliers. In this rebuttal testimony when I refer to the "Companies" I mean both Peoples Gas Light and Coke Company ("Peoples") and North Shore Gas Company ("North Shore"). There will be some occasions where I am providing data that pertains to one of those entities and in that case I will then use either "Peoples" or "North Shore".

Q. What are the specific issues you will address?

A. I have broken the issues down into several main areas:

1. I will address the operational issues that the Companies' witness Dobson expressed concern with. In my direct testimony, I proposed adoption of the

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[1] Each of the members of RGS intervened individually in the instant proceeding. The opinions herein do not necessarily represent the positions of any particular member of RGS.

successful customer choice program in place at Nicor Gas, and Mr. Dobson confessed his total unfamiliarity with that program of the adjacent natural gas distribution utility. The Nicor Gas rules which I proposed are designed to provide Choices For You ("Choice For You" or "CFY") customers with a fair allocation of capacity and storage assets.

2. I will address concerns expressed by the Companies' witness Grace about socialization of administrative charges for transportation services that are available to all small volume Rate 1 and Rate 2 customers.

3. I will review a number of concerns that the Companies' witness McKendry raised with the administrative improvements I recommended and will show why these improvements are easy to implement and will benefit the customers.

BACKGROUND

Q. In your direct testimony, you made a number of recommendations. Please summarize those recommendations.

A. As I explained in my direct testimony, my overall objective is to promote fairer rules that will create a level playing field with the Companies' sales service and large volume transportation services so that all customers can, if they choose, experience the benefits of the competitive market offered through the Choices For You programs. (*See* RGS Ex. 1 at lines 140-43.) Accordingly, in my direct testimony I addressed a number of specific issues and made a number of recommendations, as follows:

1. **Fair Allocation of Capacity and Storage Assets.** Customers that elect to be supplied under Choices For You should receive a fair allocation of capacity and storage assets. In order to provide access to on- and off-system storage and pipeline assets commensurate with the costs of those facilities and the flexibility that they provide, the Companies should allow Alternative Suppliers to:

   a. Have daily injection and withdrawal rights that are commensurate with the rights and flexibility provided by the storage capacity that is allocated to Choices For You customers through various charges.

   b. Have monthly targets for injections and withdrawals that are commensurate with the Companies' operations;

   c. Manage daily deliveries to a target provided by the Companies with +/- daily tolerance and impose appropriate penalties for Alternative Suppliers not hitting delivery target range. The daily target should be the Company's best estimate of the customer usage for that particular supplier on that given day.

   The Companies should also reduce punitive month end tolerance penalties that are not cost-based.

2. **Revise the Aggregation Balancing Gas Charge.** The Companies should revise the Aggregation Balancing Gas Charge ("ABGC") to reflect the benefit of services provided.

3. **Proper Allocation of Administrative and Other Costs.** The Companies should include administrative costs related to Choices For You programs that apply to all Rate 1 and Rate 2 customers in the base rates for those customers instead of

causing Choices For You customers solely to pay those costs. Additionally, the LDC Billing Option Charges should be eliminated.

4. **<u>Continued Service to Customers in Arrears.</u>** The Companies should enable Alternative Suppliers to continue providing service under Rider SBO for customers who fall into arrears with the utility.

5. **<u>Credit Balances.</u>** The Companies should be directed to transfer credit balances that a customer has with the utility to the Alternative Supplier when the customer has a debit balance with the Alternative Supplier.

6. **<u>Rescind Period.</u>** The Companies should be directed to reduce the wait period imposed on customers who wish to participate in the CFY program from 19 days to the minimum 10 day rescission period as required by Senate Bill 171.

7. **<u>Eliminate Restrictions on CFY Program.</u>** The Companies should be directed to cease their practice of requiring a customer to take sales service for one month before they can activate in the CFY program.

8. **<u>System Improvements.</u>** The Companies should make administrative improvements in their supplier billing and Pegasus system.

(*See generally* RGS Ex. 1 at lines 146–84.)

Q. Did the Companies offer meaningful rebuttal to your observations and recommendations?

A. In general, the Companies did not seem to engage on many of the issues and for those where the Companies responded, their response did not rebut the fundamental points that were made in my direct testimony. Accordingly, the Commission should order substantial changes be made to the Choices For You program in order to ensure that the program is, in fact, consistent with a pro-competitive, market-based approach that recognizes the efficiencies, customer savings, and desirability of meaningful natural gas supply options for Illinois consumers.

ASSET RELATED ISSUES

Q. For several years the RGS have been requesting that the Companies improve their CFY program that serves small transportation customers. Have you seen any significant improvement in recent years?

A. Unfortunately, no. I am in agreement with the statement that the Companies' Manager of Gas Supply, Mr. Dobson made on lines 570-72 of his rebuttal testimony (NS-PGL Ex. RD-1.0) where he confesses that the Companies have not made any significant changes in how they manage their system to provide service for the sales, CFY, and large volume transportation customers in the past several years.

Q. Should the Companies make improvements?

A. Yes. Gas distribution utilities such as the Companies should be evaluating and implementing best practices and soliciting input from customers and suppliers on how to make their system work better.

Q. Have you provided input to the Companies regarding necessary areas of improvement in how they manage the small volume transportation programs?

A. Yes. The RGS has been an intervenor in the Companies' last base rate cases (ICC Docket No. 07-0241/0242 (cons.)) along with the WPS/Peoples Energy 2006 merger case (ICC Docket 06-0540). In both of those cases the RGS voiced concerns regarding the CFY program and provided many recommendations. Unfortunately, apart from those recommendations that were ordered by the Commission, the Companies have done nothing to improve their small volume transportation programs.

Q. In your direct testimony you explained that the RGS prefer the Choice program at Nicor Gas (called "Customer Select") to the Companies' CFY program. Did the Companies examine the Nicor Customer Select program to determine how they might implement some of the Nicor program's features?

A. No. In his rebuttal testimony (NS-PGL Ex. RD-1.0) Companies' witness Dobson said he did not "know how Nicor coordinates service under its Rider 16 with its other transportation programs." (*Id.* at line 585)

Q. Did Mr. Dobson attempt to learn how Nicor's gas supply personnel manage and support service under Nicor's Rider 16, which is Nicor's Customer Select program?

A. He testified in his rebuttal testimony that he did not. (*See id.* at line 582.)

Q. So, if Mr. Dobson did not examine your recommendations, and if Mr. Dobson did not inquire of the Nicor Gas supply personnel how to make improvements, is it any surprise that the Companies have not made any significant improvements to the CFY program?

A. No. Since Mr. Dobson has not conducted any examination of the details of the Nicor Gas system or provided any evidence showing that the Companies could not make any or all of the improvements, Commission should direct the Companies to design their small volume transportation program to be similar to the more successful Customer Select program at Nicor Gas.

Q. Are customers that choose to purchase gas from an Alternative Supplier receiving equal treatment from the Companies?

A. No. Whether a customer is receiving gas from the Companies or from an Alternative Supplier the customer is paying the same amount to the Companies for their distribution services, unfortunately, that choice by the customer impacts the amount and use of the Companies' capacity assets that are used to provide service to the customer.

Q. How do sales customers and CFY customers pay for the use of capacity assets?

A. All customers pay for the assets in the same way at the same rate, either through base rates for services including on-system storage and related capacity and through either the Non Commodity Gas Charge ("NCGC") or Aggregation Balancing Gas Charge ("ABGC") for upstream storage and capacity.

Q. How do the Companies provide for peak day capacity for the sales customers?

A. The Companies control delivery assets designed to provide 103% of a peak day in deliverability.

Q. How do the Companies provide for peak day capacity for the CFY customers?

A. CFY customers or their suppliers receive only enough storage assets to provide 71% of their peak day needs.

Q. So, when comparing deliverability assets provided to sales customers to those provided to CFY customers, the CFY customers fall short?

A. Yes. Even though both groups of customers are paying the same amount to the Companies for the use of those assets, the CFY customers receive 32% less delivery assets to serve their peak day need - the difference between 103% and 71%.

Q. RGS proposed an implementation of a program modeled after the more successful Customer Select program at Nicor Gas. Could the Companies modify their existing program to address this serious, unfair shortcoming?

A. Yes. The Companies could address these shortcomings within their existing program by providing equal asset allocation to all customers.

Q. The Companies have admitted that the sales and CFY customers are charged the same delivery rates, yet you state that the CFY customers receive less in system assets to meet their delivery needs. Can you provide an example?

A. Yes. RGS Ex. 2.1 (proprietary) illustrates the assets that Peoples Gas uses to meet the peak day need of sales customers of 1,936,603 Dth. (A similar example could be constructed for North Shore.) Using a mix of on-system storage, off-system storage, firm capacity, and citygate deliveries, Peoples Gas assembles a total peak day capacity of 1,994,684 Dth, or 103% of the design day needs.

CFY customers, however, receive storage from Peoples Gas but then must contract on their own for additional deliverability assets to meet their needs.

Q. While the CFY customers should have the same 103% of peak day capabilities provided, how much does Peoples Gas actually provide?

A. Only 71% is provided. Peoples Gas provides only storage assets, but not upstream capacity. I have illustrated this in a comparison chart as RGS Ex. 2.2 (proprietary). There is a 32% shortfall between what is provided for sales customers and what is provided for CFY customers. That is not fair.

Q. How do CFY suppliers overcome this shortfall?

A. In order to overcome the deficiency in the allocation of delivery assets, CFY suppliers must contract for, and pay for, additional deliverability assets. That is a cost burden that Peoples Gas has created, to the detriment of CFY suppliers.

Q. What are your proposed solutions in order of preference?

A. 1. Adopt a program similar to that at Nicor Gas, which works better than the CFY program.

2. Keep the CFY program but increase the asset allocation, so CFY customers receive the same assets at sales customers.

3. Keep the CFY program but drop the AGBC or otherwise reduce the CFY customer costs by 32% to reflect the assets which CFY customers currently are charged for, but which are not actually provided by the Companies.

ADMINISTRATIVE CHARGES SHOULD BE INCLUDED IN BASE RATES

Q. In her rebuttal testimony (NS-PGL VG-2.0) Companies' witness Grace disagreed with your proposal to include administrative charges in base rates for all small volume customers. What evidence did Ms. Grace present that

substantiated her Exhibit 1.10 that included $1,317,557 of incremental costs to be billed to CFY customers?

A. None. Although I requested significant detail from the Companies that would have substantiated such costs, the Companies repeatedly stated that they had no such data and did not use such data.

Q. What costs were included in the $1,317,557?

A. According to the NS-PGL Ex. VG-1.10**,** those were charges for "Gas Transportation Services-labor" for "Contract administration, billing, billing exception processing, billing adjustments, supplier support, customer inquiries, PEGASys billing & support, gas scheduling, CFY supplier billing." That amount also included "Other Costs for Telecommunication & general office expenses and Ongoing application maintenance, minor enhancements (CFY & PEGASys)."

Q. Upon review of Exhibit 1.10, the CFY customers appear to pay all of the same costs that the rest of the Rate 1 and Rate 2 small volume customers pay for such services as gas transportation, billing, and call center services, and then they pay an incremental amount of $1,317,557. Did Ms. Grace's Exhibit 1.10 include any deductions or offsets for the services (such as gas transportation, billing or call center) that CFY customers do not use?

A. No. The Companies neglected to provide any such credit or deductions in their cost calculation to reflect the services CFY customers do not use. It appears that the Companies are "double dipping" by charging any customers that choose to select an alternative gas supplier twice for similar services.

Q. Did RGS request a detailed explanation and detailed cost information regarding all development, implementation, and administrative costs incurred by the Companies since January 1, 2000 to the present pertaining to information technology and computer programs to handle customer enrollment, participation, termination, and/or consolidation by a supplier other than the Companies ("Supplier") and billing to any such Supplier along with the relevant workpapers?

A. Yes. RGS made that request in its first set of Data Requests – specifically in RGS Data Request 1.42. The Companies' response, which I submit along with other responses of Peoples as an exhibit (the responses of North Shore Gas were the same), was that the "requested information is not maintained in and cannot be retrieved in the requested level of detail." (*See* RGS Ex. 2.3 p. 1) It seems the Companies have no support for the Administrative charges that are assessed to the CFY program.

Q. Did you request a detailed explanation and detailed cost information regarding all development, implementation, and administrative costs incurred by the Companies since January 1, 2000 for Supplier and customer education, including, without limitation, expenses relating to Supplier meetings, communication and advertising materials directed to eligible customers, and media announcements along with the relevant workpapers?

A. Yes. That request was made in RGS Data Request 1.43. The response, which I submit as an exhibit, was that the "requested information is not maintained in and cannot be retrieved in the requested level of detail." (*See* RGS Ex. 2.3. p. 2) It seems the Companies have no support for any costs relating to Supplier meetings, communication and advertising materials directed to eligible customers, and media announcements that are assessed to the CFY program.

Q. Did you request a detailed explanation and detailed cost information regarding all costs incurred by the Companies since January 1, 2000 as a result of the telephone calls to the Companies' customer call center(s) from customers inquiring about Choices For You programs (Not Choices for You customers inquiring about utility billing and/or metering issues) including all costs related to additional staffing, training of customer service representatives, correspondence activity, and overall administration?

A. Yes. That request was made in RGS Data Request 1.46. The response, which I submit as an exhibit, was that the "requested information is not maintained in and cannot be retrieved in the requested level of detail." (*See* RGS Ex. 2.3 p. 3) It seems the Companies have no support for any of the call center related charges that are assessed to the CFY program.

Q. Did you request a detailed explanation and detailed cost information regarding all incremental costs added to the Companies' billing services since January 1, 2000 incurred in connection with segregating Choices For You customers from other customers, developing new or separate billing procedures, and ensuring proper billing of Choices For You customers, specifying whether the costs so incurred include or do not include investments for new equipment and software acquired by the Companies along with relevant workpapers?

A. Yes. That request was made in RGS Data Request 1.47. The response, which I submit as an exhibit, was that the "requested information is not maintained in and cannot be retrieved in the requested level of detail." (*See* RGS Ex. 2.3. p. 4) It seems the Companies have no support for the billing system charges that are assessed to the CFY program.

Q. Did you request a detailed explanation and detailed cost information regarding all direct and indirect costs incurred by the Companies since January 1, 2000 associated with the Companies' development, implementation, administration, modification, and maintenance of all Choices For You programs along with the relevant workpapers?

A. Yes. That request was made in RGS Data Request 1.48. The response, which I submit as an exhibit, was that the "requested information is not maintained in and cannot be retrieved in the requested level of detail." (*See* RGS Ex. 2.3 p. 5) It seems the Companies have no support for any costs assessed for the development, implementation, administration, modification, and maintenance of all Choices For You programs.

Q. Did you request that the Companies provide the methodology for determining the monthly billing fee charged to Choices For You suppliers and to explain fully the basis for the charge, along with the relevant workpapers?

A. Yes. That request was made in RGS Data Request 1.50. The response, which I submit as an exhibit, was that "The basis for these charges and related workpapers were approved in Docket 01-0470". (*See* RGS Ex. 2.3 p. 6) It seems the

Companies have collected no cost data since 2001 and have no support for the monthly billing charges that are assessed to CFY suppliers.

Q. Did you request a detailed list of all of the Companies' customer call center employees that are dedicated to Choices For You on a full time basis, the wages for whom are not included in payroll that is, only those of the Companies' call center employees whose time is utilized exclusively for purposes of answering customer inquiries whose wages are not being recovered in base rates, or proposed to be recovered in base rates, along with the relevant workpapers?

A. Yes. That request was made in RGS Data Request 1.53. The response, which I submit as an exhibit, was that "The Company does not have call center employees that are dedicated only to Choices For You call". (*See* RGS Ex. 2.3 p. 7) It seems the Companies have no support for the call center payroll charges that are assessed to the CFY program.

Q. The Companies have stated they have no support for any of the components of the $1,317,557 that they identified in NS-PGL Ex. VG-1.10 as the charges for Riders AGG/CFY. What actions should be taken?

A. The charges to CFY suppliers and customers should be discontinued. In NS-PGL Ex. VG-1.10 this amount is indicated as $1.10 per customer per month.

Q. If the Companies had provided evidence that supported some or all of the charges, would that have made a difference in your recommendation?

A. Actually, no. The reason for this is that the costs that the Companies are attempting to recover are being recovered already through base rates from all Rate

1 and Rate 2 customers. The Companies made no attempt to remove the AGG/CFY costs from base rates. Companies' witness Grace stated in her direct testimony "the distribution charge will be the same for sales and transportation customers" (NS-PGL Ex. VG-1.01 at line 232.)

Q. What will be the impact on the Companies' revenue requirement?

A. Their overall revenue requirement should be reduced by $1,317,557**.**

Q. Had the Companies provided sufficient evidence that identified costs that were incurred solely by AGG/CFY customers, would that be reason to charge such costs to customers (or their suppliers) that decide to select an alternative gas supplier other than the Companies?

A. No. According to NS-PGL Ex. VG-1.10, there are 70, 811 CFY customers. The CFY program has clearly developed beyond some "experimental" or "pilot" program. It is a service offering that <u>all</u> qualified Rate 1 and Rate 2 customers can chose to enjoy. Putting up an Administrative charges cost barrier will harm the development of the competitive alternative to gas supply from the Companies. The Companies should be directed to do as Nicor Gas does, which is to include all non-supply costs in base rates. Doing otherwise would result in the perpetuation of distorted price signals, which result in continuing to impede the development of the competitive market.

THE COMPANIES STILL REFUSE TO MAKE ADMINISTRATIVE IMPROVEMENTS THAT WOULD BENEFIT CUSTOMERS THAT WISH TO SELECT AN ALTERNATIVE GAS SUPPLIER

Q. In Mr. McKendry's rebuttal testimony (NS-PGL Ex. JM-1.0) he rejected many of your recommendations to make administrative improvements. Please list those rejected recommendations.

A. Here are the recommendations I made that Mr. McKendry rejected:

1. The Companies should allow customers with arrearages to select Alternative Suppliers offering the Single Bill Option (*see* RGS Ex. 1.0 at line 568);

2. The Companies should follow the customers' instructions and directly transfer credit balances to their designated Alternative Supplier (*see* RGS Ex. 1.0 at line 583);

3. The Companies should follow the customers' direction and promptly switch them to an alternative gas supplier and not delay that switch by 19 days (*see* RGS Ex. 1.0 at line 644);

4. The Companies should follow the customers' direction to be served by an Alternative Supplier when the customer initiates service instead of waiting for one month to do so (*see* RGS Ex. 1.0 at line 647); and

5. The Companies should provide inventory and storage volume data to suppliers in an easy manner. (*See* RGS Ex. 1.0 at line 698**.**)

Q. Why should the Companies stop removing customers from service under Rider SBO when they elect to cancel their participation in the budget payment program?

A. As I explained in my direct testimony, when a customer elects alternative gas service with an Alternative Supplier under SBO, the Alternative Supplier then removes the customer from the utility's budget payment plan. The Alternative Supplier does so because the Alternative Supplier now is going to oversee the collection of any amounts the customer owes the utility and address any debits in the customer's account. When this occurs, the Companies then view the customer as in arrears and enforce their unnecessary requirement that such a customer is not allowed to participate in an Alternative Supplier's SBO program.

The Companies should remove the requirement so that customers are free to participate in a program that they find attractive.

Q. In Mr. McKendry's rebuttal testimony he points out that it is the Alternative Supplier decision to remove the customer from the utility budget payment program and then implies that therefore the Alternative Supplier is responsible for putting the customer in a category that is not allowed to take service under SBO. (*See* NS-PGL Ex. JM-1.0 at line 332.) Who really rescinds the customers eligibility for SBO participation?

A. Make no mistake about this. It is the Companies that have the policy that a customer in arrears cannot participate in an SBO program. This is the requirement that RGS wishes to have removed from the Companies' tariffs.

Q. Mr. McKendry then claims this issue was dealt with eight years ago at Docket Nos. 01-0469 and 01-0470, and stands by the old tariff restriction. (NS-PGL Ex. JM-1.0 at lines 338-43.) What is the reason to update our thinking and remove this outdated utility requirement?

A. In the eight years that Alternative Suppliers have operated (since 2001) they have acquired much experience and now know that this restriction is an important issue that hinders customer choice.

Q. In line 346 of his rebuttal testimony, Mr. McKendry states, "allowing only customers with no arrears to receive Rider SBO billing is less complicated." Is this less complicated for the utility or for the Alternative Supplier?

A. It may be less complicated for the utility to block customers with in arrears from participating in the customer choice programs, but it is without question more complicated for the customers and the Alternative Suppliers. There are many instances of how this has significantly complicated suppliers' processing for customer accounts. It is an additional customer characteristic driven by the utility that supplier systems need to recognize and maintain based on utility notifications. This characteristic not only changes how Alternative Suppliers bill a customer, but also how they recognize and maintain the customer's utility balance in their billing system.

Q. Mr. McKendry is concerned that Alternative Suppliers will not collect utility balances (*see* NS-PGL Ex. JM-1.0 at lines 355-60); is this concern founded in logic?

A. Not at all. Since any payment by a customer is first applied to the utility charges and only after the utility charges are satisfied are then applied to Alternative Supplier charges, the Alternative Supplier is highly motivated to collect the utility charges.

Q. Mr. McKendry also stated that "Alternative Suppliers are not obligated, under Rider SBO, to accept or print bill messages." (NS-PGL Ex. JM-1.0 at lines 353-54.) Is this a true statement?

A. No. According to Rider SBO, Page 3, Section D, paragraph (4), Alternative Suppliers are required to print "other information provided by the Company" on the customer's bill. The Companies may send up to three bill messages every month and the Alternative Suppliers print those messages.

Q. Does Nicor Gas have this restriction?

A. No. Nicor allows customers in arrears to participate in its choice program, and the single bill option program works well for Nicor's customers and the Alternative Suppliers.

Q. Mr. McKendry disagrees that the Companies should allow customers with arrearages to select Alternative Suppliers offering the Single Bill Option?

A. Yes. The result of removing a customer from the Companies' budget payment plan then can cause the customer to be more than 60 days in arrears.

Q. What should the Companies be directed to do?

A. They should be directed to remove the requirement by deleting the language in Rider SBO, Page 4, Section F, paragraph (b).

Q. Mr. McKendry did not agree with RGS's recommendation that the Companies follow the customer's instructions and directly transfer credit balances to their designated Alternative Supplier.

A. Correct. He said he was not sure if the supplier agreements with the customer contain such explicit authorization. (NS-PGL Ex. JM-1.0 at lines 367-68.)

Q. In your response to data request 2.13 you provided an example of such clear language from a supplier agreement, correct?

A. Yes. The agreement language stated, "You also authorize the Company to transfer any credit balances residing in your utility account to your Company account or to you" where "Company" refers to the Alternative Supplier. I am including that data response as RGS Ex. 2.4. That language is explicit.

Q. Mr. McKendry claimed the Companies do not review every customer agreement. (NS-PGL Ex. JM-1.0 at lines 371-72.) Should this matter?

A. No it should not. An Alternative Supplier does not supply the Companies with copies of each and every customer agreement, but the Alternative Supplier still must adhere to the rules for providing Rider SBO service and to the terms it has agreed to with their customers. In this specific topic of credit balance transfers, the Alternative Suppliers can and do supply an affidavit with every request for a credit transfer that states they have an agency agreement with the customer to do so. This is not required for any suppliers not doing SBO billing.

Q. In lines 377-381 Mr. McKendry complained about costs of automating their process and lack of evidence of the number of occurrences of the Companies not following the explicit instructions of their customers. (*See* NG-PGL Ex. JM-1.0 at lines 377-81.) Is this relevant?

A. No it is not. My testimony addressed the fundamental issue that the Companies should follow their customers' instructions, not whether or not their billing system required modifications or the number of instances of occurrence. This is not a problem in Nicor Gas's service area, where the utility follows the instructions of its customers concerning the same issue.

Q. How many occurrences of credit balance transfers have there been?

A. The requests by customers for a credit balance transfer are frequent enough that a policy change is merited. One Alternative Supplier issued almost 500 bills where the amount due on the payment stub differed from the account balance (supplier balance plus utility balance) because of a utility credit balance that was not shared with the Alternative Supplier. There were 127 bills where the account balance was a credit, but the Alternative Supplier had to ask for payment. Customers' instructions need to be followed, not arbitrarily ignored by the Companies.

Q. Mr. M cKendry also disagreed with your desire to see the Companies comply with SB 171 and not delay the customers switch to an Alternative Supplier. (NS-PGL Ex. JM-1.0 at lines 412-13.) What was his rationale?

A. While SB 171 allows a customer to rescind his switching decision for up to 10 business days, Mr. McKendry provided an example that illustrated why the Companies believe 19 days is necessary. This, of course, delays the customer switch much longer than necessary or intended.

Q. Was his example typical?

A. No, his example was solitary and unique. He selected the most self-service example possible where a customer HAS to enroll on the day before Thanksgiving and rescind on the last day possible. The Companies have based their entire argument and policy for the entire year on the most extreme day of the year. An example that is reasonable would be that of an enrollment during a normal week, where the customer is then allowed up to ten business days to rescind.

Q. Mr. McKendry defends the Companies' practice of supplying new customers with the Companies' gas for their first month of service even if the customer has signed up to be supplied by an Alternative Supplier. (NS-PGL Ex. JM-1.0 at lines 445-60.) Are his reasons sound?

A. No. His first excuse is akin to saying that it is just company policy. For his second reason he hides behind SB 171 even though the customers supply election could still be honored for the first month of service. It is apparent that the Companies attempt to drive supply choices toward system supply and away from Alternative Suppliers. This is entirely inappropriate and should not be tolerated by the Commission.

Q. What one concern of yours did Mr. McKendry address?

A. I had recommended that the Companies sharpen up their arithmetic when rounding the Maximum Daily Quantity (MDQ) for small customers served in pools. Instead of rounding those volumes to the nearest decatherm, which meant that the typical residential customer's MDQ was rounded to zero, they have proposed to round to the nearest therm. (NS-PGL Ex. JM-1.0 at lines 501-03.) I agree with Mr. McKendry's proposal.

Q. Mr. McKendry even quibbled with your recommendation to provide a variety of important storage and inventory data in a more convenient manner. What was his rationale?

A. He said that they provide all that data either on the bill or it can be accessed in the PEGASys system if Alternative Suppliers only knew where to look, and that the Companies would spend time training us. (NS-PGL Ex. JM-1.0 at lines 464-65.) It is unclear why the Companies continue to refuse to provide the four (4) basic pieces of data in a user-friendly manner, and instead want Alternative Suppliers to adhere to the Companies' burdensome processes.

Q. What are the four components of storage data that Alternative Suppliers require to properly manage their business and where is such data currently available?

A. The four items are: (1) the Storage Balance (which is available on PEGASys); (2) the Storage Adjustment Cumulative (which is updated once a month and available on PEGASys); (3) the Deposit Balance (which is on the bill); and (4) the Carry Forward amounts (which also is on the bill). These are the four important storage data items that could be placed on the supplier bill and eliminate the manual hunting of data that suppliers must undertake to understand and manage their storage positions.

Q. The Companies' attitude does not really portray an interest to continuously improve their services does it?

A. No. As I explained in my direct testimony, Nicor Gas already provides the data in a user-friendly manner; I offered up Nicor as a model for the Companies to use. (*See* RGS Ex. 1.0 at lines 698-700.)

Q. What would you hope the outcome of this issue would be?

A. That the Companies be directed to hold discussions with Alternative Suppliers over the 90 days following the final order in this case and to implement the improvements that are identified in those discussions.

CFY STORAGE CREDIT

Q. Did you review the direct testimony of ICC Staff witness David Sackett concerning the manner of crediting the costs related to working capital for gas in storage (Staff Ex. 12.0 at lines 352-498)?

A. Yes. Mr. Sackett is recommending that the credit which is now applied on a per-customer basis be applied on a per-therm basis.

Q. Do you agree with Mr. Sackett's recommendation?

A. Yes. This was an issue in the previous base rate proceeding of the Companies (Docket No. 07-0241/07-0242 Cons.) as Mr. Sackett describes in his testimony. During those proceedings the RGS had recommended that the credit be applied on a per-therm basis. I renew that recommendation now and am in agreement with Mr. Sackett's proposal for treatment of the credit.

CONCLUSION AND RECOMMENDATIONS

Q. Please summarize your recommendations.

A. I recommend that the Companies be directed to:

1. Provide a fair allocation and control of upstream capacity and all storage assets to Alternative Suppliers.
2. Reduce the unreasonable month-end tolerance penalty.

3. Revise the AGBC to reflect the level of storage capacity and access that Alternative Suppliers can actually use.
4. Discontinue the Administrative and LDC Billing Option Charges.
5. Enable an Alternative Supplier providing service under Rider SBO to continue serving customers who fall into arrears with the utility.
6. Transfer credit balances the customer has with the utility to the Alternative Supplier when the customer has a debit balance with the Alternative Supplier.
7. Reduce the wait period that allows customers to change their decision regarding switching of their gas supplier to the 10 days as required by SB 171.
8. Cease their practice of requiring a customer to take sales service for one month before they can activate in the Choices For You program.
9. Make administrative improvement in the supplier billing system and Pegasus system.
10. Change the method of crediting costs related to working capital for gas in storage from a per-customer credit to a per-therm credit as it applies to Riders AGG/CFY.

Q. Please summarize your main concepts.

A. Continued progress has been made in Choice programs in Illinois over the past few years. A better model of storage and asset allocation exists in the Choice program in place at Nicor Gas, which has been recently approved by the Commission in ICC Docket No. 08-0363. Such improvements should now be implemented at Peoples and North Shore. They must fairly allocate system assets like on-system storage and upstream assets to all customer groups. Their current policies severely limit Choices For You customers relative to sales and transportation customers. They should be directed to allow Choices For You Alternative Suppliers to operate with greater flexibility so the customers that chose that program are not disadvantaged compared to customers who decide to retain the Companies as their gas supplier. All the costs that relate to Choices For You services which all Rate 1 and Rate 2 customers are eligible should be included in base rates for each of those customer classes, similar to the treatment such costs receive at Nicor Gas. The Companies should be directed to make it easier for customers to become Choices For You customers by modification of their policies that create unnecessary burdens or cost hurdles for customers selecting Alternative Suppliers.

Q. Does this conclude your rebuttal testimony?

A. Yes.